

Stone Lion Capital Partners L.P.

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This Brochure provides information about the qualifications and business practices of Stone Lion Capital Partners L.P. (“Stone Lion”). If you have any questions about the contents of this Brochure, please contact Claudia Borg, Stone Lion’s Chief Compliance Officer (“CCO”), at (212) 843-1225. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Stone Lion is a registered investment adviser. Registration of an investment adviser does not imply that Stone Lion or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

Additional information about Stone Lion is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

We have updated our Form ADV Part I filed November 19, 2015 and Part 2A from our previous ADV filed on March 30, 2015, to reflect regulatory assets under management as of January 31, 2016.

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Item 4: Advisory Business

Stone Lion Capital Partners L.P. (“**Stone Lion**”, “**Firm**,” “**we**”, “**us**” or “**our**”), founded in August of 2008, is an investment advisory firm providing investment management services for private funds and managed accounts. The principal owners of the Firm are Gregory A. Hanley and Alan J. Mintz through their ownership of SLCP Partners L.P.

Stone Lion invests in (i) credit opportunities with a focus on event driven, high yield, distressed and special situations; (ii) liquidations, litigations and other process related investments and (iii) investments related to the Commonwealth of Puerto Rico, its public corporations, its trusts, its instrumentalities and Puerto Rico-domiciled entities. We provide investment advisory services to Stone Lion Portfolio L.P., Stone Lion Fund Ltd. and Stone Lion Fund L.P. (the “**Credit Hedge Funds**”), SL Liquidation Fund L.P. Class A, LLSM L.P., HHLF L.P. and LLSM II L.P. (the “**Liquidation Funds**”) and SL Liquidation Fund L.P. Class B, SL Puerto Rico Fund L.P. and SL Puerto Rico Fund II L.P. (the “**PR Funds**” and collectively with the Credit Hedge Funds and the Liquidation Funds, the “**Funds**”). We also currently advise two managed accounts: (A) an account structured in two vehicles, (i) a private fund (the “**Private Fund**”) and (ii) a sub-fund of a collective asset-management vehicle (the “**ICAV Fund**”) and (B) an account managed on behalf of an investor for a co-investment (the “**Co-Investment Account**” and collectively with the Private Fund and the ICAV Fund, each the “**Managed Account**”, and collectively with the Funds, the “**Clients**”). The Credit Hedge Funds are in process of winding down. Stone Lion focuses on investments across the capital structure which may include but are not limited to: (i) bank debt, both secured and unsecured, (ii) bonds; (iii) public and private equity; (iv) trade claims and other unsecured obligations; (v) derivatives; (vi) other lending obligations; and (vii) special situations investments and assets.

Stone Lion provides investment advisory services for our Clients. The Firm adheres to the investment strategy set forth in each Client’s governing or operational documents, including with respect to each Fund, such Fund’s confidential offering memorandum and/or partnership agreement and with respect to each Managed Account, the investment management agreement between us and such Managed Account. We tailor our advisory services to the individual needs and specified investment mandates of our Clients by adhering to the specifications of the offering documents, partnership agreement or investment management agreement, as applicable, with such Client.

As of January 31, 2016, Stone Lion managed U.S. \$1,129,259,438 in regulatory assets under management (“**RAUM**”), on a discretionary basis. Stone Lion does not manage any Client assets on a non-discretionary basis.

Item 5: Fees and Compensation

Stone Lion, or an affiliate of Stone Lion, typically receives compensation from each of its Clients based on both the percentage of assets it manages and on performance achieved for each Client's account. The governing documents of the Funds permit us to negotiate the fees, in separate side letters, with investors in the Funds and to waive the fees for investors affiliated with Stone Lion or its employees. Each investor in our Clients is a "qualified purchaser", as defined under U.S. securities laws.

For the Funds, the asset-based fees are generally paid in arrears monthly based on net assets as of the beginning of each month and are deducted from the accounts of the investors. For the Credit Hedge Funds, performance-based compensation was generally paid in arrears annually, or at the time of redemption, and was deducted from the accounts of its investors. For the Liquidation Funds and the PR Funds, performance-based compensation is paid from distributions as investments are realized after recovery by investors of their principal investment.

For the ICAV Fund, asset based fees are paid quarterly in arrears and performance based fees are paid at the end of the ICAV Fund's fiscal year. The Private Fund has five different classes and each class has its own fee structure. For the liquidation classes (the "**Liquidation Classes**") and the Puerto Rico class (the "**Puerto Rico Class**"), asset-based fees are paid quarterly in arrears, and performance-based fees shall be paid from distributions as investments are realized after recovery by investors of their principal investment. For the private equity class (the "**PE Class**"), the asset-based fees and the performance-based fees accrue monthly and shall be paid upon liquidation of the investment. For the single name co-investment class (the "**Co-investment Class**") the performance-based fees accrue monthly and shall be paid upon liquidation of the investment. For the Co-Investment Account, the performance-based compensation accrues monthly and shall be paid upon liquidation of the investment.

The Funds are responsible for their operating expenses, (i) all transactions carried out by or on behalf of such Fund, (ii) the administration of such Fund, (iii) the offering and sale of the interests in such Fund, (iv) the charges and expenses of legal advisers, auditors and other related professional fees, (v) brokers' commissions (if any), exchange, clearing and settlement charges, borrowing charges on investments sold short and any issue or transfer taxes chargeable in connection with any investment transactions, (vi) all taxes and corporate fees payable to governments or agencies, (vii) directors' fees and expenses, (viii) interest on borrowings, including borrowings from prime brokers, (ix) fees and expenses incurred by us in connection with our investment management services including, expenses incurred in obtaining research and other information utilized with respect to such Fund's investment program, (x) the fees and expenses of any custodian appointed by such Fund, (xi) fees and profit-sharing arrangements due to consultants and service companies; (xii) the cost of insurance for the benefit of the directors and/or officers of such Fund having a board of directors and/or officers, the Firm and our respective partners and/or officers, (xiii) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, (xiv) costs and expenses incurred in connection with compliance with any governmental, regulatory, licensing,

filing or registration requirements under the rules of any self-regulatory organization or any federal, state or local or other applicable laws, including without limitation expenses incurred in the preparation and filing of the Stone Lion's Form ADV, Form PF and FATCA compliance and (xv) all other organizational and operating expenses of such Fund.

Each Managed Account bears expenses that are directly related to such Managed Account's investment activities, including without limitation, professional fees, expenses and commissions.

For more information on brokerage transactions and costs, please see "Item 9: Brokerage Practices."

Item 6: Performance-Based Fees and Side-By-Side Management

Stone Lion, or one of its affiliates, may receive performance-based fees from all of its Clients.

Please see “Item 5: Fees and Compensation” for a detailed explanation of our performance-based fees.

Item 7: Types of Clients

Our Clients are primarily private investment funds and separate portfolio accounts, currently consisting of (i) private pooled investment vehicles and (ii) managed accounts that include a private fund, a sub-fund of a collective asset-management vehicle and an institutional investor. Investors in our Clients are generally family offices, high net worth individuals, funds of funds, pension funds, private banks, insurance companies, endowments and employees of the Firm.

We require investors in the Funds to be “accredited investors” and “qualified purchasers” as such terms are defined under the U.S. securities laws.

The Credit Hedge Funds have a stated required minimum investment of \$5,000,000 and the Liquidation Funds and the PR Funds have a stated required minimum investment of \$10,000,000. Nevertheless, we, or our affiliates, as described in the Funds’ offering memoranda, have discretion to accept and have accepted subscriptions for lesser amounts.

This Brochure is not an offer to invest in the Funds.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Stone Lion's investment objective for its Clients is to seek superior risk-adjusted returns on its investments, while preserving capital.

With respect to the Credit Hedge Funds (which are in process of winding down), the ICAV Fund, the PE Class, the Co-Investment Class and the Co-Investment Account (the “**Credit Investments**”), Stone Lion uses (i) a top-down approach to identify macroeconomic and sector themes and investment opportunities and (ii) upon identifying potential investments, a bottom-up financial and legal analysis to identify, vet and ultimately select credit opportunities including, but not limited to, event driven, distressed, high yield and special situations investments in debt and equity instruments across the capital structure and throughout the credit cycle. For the Credit Investments, Stone Lion generally exercises an intensive three-stage approach to assessing investment opportunities by: (i) identifying significant trends that affect the market as a whole and specific sectors of the economy with a view towards generating investment ideas in a variety of industries and companies; (ii) analyzing selected companies or investments to ascertain their value on a going concern, restructured and liquidation basis; and (iii) determining how, when, if and in what form (i.e., cash, debt, equity) value will be distributed among stakeholders.

With respect to the Liquidation Funds and the Liquidation Class (the “**Liquidation Investments**”), Stone Lion uses its market knowledge, analytical capabilities, trading acumen and extensive relationships to vet, select and source investment opportunities. The investment process for the Liquidation Investments is generally comprised of three interrelated steps (i) identifying liquidation and litigation investments trading at a discount, (ii) analyzing the inherent risks and the form and timing of potential recovery values under various scenarios and (iii) sourcing and executing such investment opportunities.

With respect to the PR Funds and the PR Class (the “**PR Investments**”), Stone Lion uses its market knowledge, analytical capabilities, trading acumen and extensive relationships to vet, select and source investment opportunities. The investment process for the PR Investments is generally comprised of three interrelated steps (i) identifying PR Investments trading at a discount, (ii) analyzing the inherent risks and the form and timing of potential recovery values under various scenarios and (iii) sourcing and executing such investment opportunities.

To minimize the risk of loss and preserve capital, Stone Lion has a comprehensive risk management framework focused on monitoring and mitigating risk. Stone Lion monitors its Clients' accounts on a continuous basis to determine that investments are supported by the investment team's current conclusions and objectives. Stone Lion, in accordance with its risk management policies and procedures, makes adjustments to, among other things, sector allocations, capital structure focus, concentrations, liquidity profile and use of leverage with respect to its Clients' accounts, if applicable, from time to time when it deems relevant or necessary.

Risk Factors:

The investment strategies we employ involve significant risks. Our Clients and investors in our Clients should be prepared to bear the loss of all of their capital. Prospective investors should carefully consider the following risk factors and should consult with their professional advisers before making an investment. There can be no assurance that an investment will be successful or that investments purchased by the Clients will be profitable. The following summary does not purport to include every risk; rather it focuses upon those risks that are generally associated with one or more of our investment strategies. For a more detailed discussion of the risks associated with each investment strategy, we suggest that all current and prospective investors review the discussion of risks provided in the relevant Client's governing documents. Past performance is not indicative of future results.

Availability of Investment Strategy. The success of our investment program will depend on our ability to identify and source investment opportunities and to exploit price discrepancies in the financial markets. Identification and exploitation of investment opportunities involves a high degree of uncertainty. No assurance can be given that we will be able to locate suitable opportunities or to exploit discrepancies in the markets. A reduction in liquidity or the pricing inefficiency of the markets in which we seek to invest, as well as, other market factors may reduce the scope for such opportunities.

Bankruptcy Cases and Reorganization Proceedings. Investments in companies that are or become involved in bankruptcy or reorganization proceedings also may be adversely affected by the laws of one or more jurisdictions relating to, among other things, "fraudulent conveyances" and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. There is always the risk (both in and out of bankruptcy) that a reorganization will be unsuccessful (due to, for example, failure to obtain requisite approvals), or significantly delayed (for example, until various liabilities, actual or contingent, have been satisfied or negotiated) or will result in a distribution of cash or new securities, the value of which is less than the purchase price of the investments in respect of which such distribution was made. Both liquidation and reorganization processes can involve substantial legal, professional and administrative costs to the company and our Clients; as it is subject to unpredictable and lengthy delays. During the process a company's competitive position may erode, key management may depart and a company may not be able to reorganize or emerge from bankruptcy and therefore may be required to liquidate assets. In any reorganization or liquidation proceeding relating to a company in which the Clients have invested, our Clients may lose all or part of their investment.

Our Clients, due to their investments, may become a creditor in bankruptcy cases or in-court restructurings. In addition, we may purchase for our Clients securities, loans or assets of, or claims against, companies in bankruptcy or involved in a reorganization proceeding. Many of the events within a bankruptcy case or an in-court restructuring are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of our Clients.

Reorganizations may be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as, actual litigation as a negotiating technique. We and/or our Clients may be participants in civil proceedings related to distressed investments. The costs of any such proceedings, including settlements, judgments and indemnification obligations will be expenses of the Clients. In addition, the debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during the reorganization and may be adversely affected by an erosion of a company's fundamental values. Such investments can result in a loss.

US insolvency procedures have historically been, and remain, on average more debtor orientated. The reverse is true for the United Kingdom and many other European jurisdictions where secured creditors have had extensive powers to protect their own rights, frequently overriding the interests of other creditors and the debtor.

Concentration of Investments. For certain Clients, our practice is generally to seek to diversify the investment portfolios in a manner consistent with such Client's investment objective and strategy. However, Clients may at certain times hold a few relatively large investments (in relation to their capital). Such Clients could be subject to significant losses if they hold a large position in a particular investment that declines in value or is otherwise adversely affected, including default of an issuer.

Counterparty and Settlement Risk. We may effect transactions for our Clients' accounts in "over-the-counter" or "interdealer" markets or through private transactions. Clients may be exposed to the risk that a counterparty will not settle a transaction because of a credit or liquidity problem, thus causing such Client to suffer a loss. Such "counterparty risk" is accentuated for transactions with delayed settlement where events may intervene to prevent settlement.

Dependence Upon the Investment Manager. Investors in our Clients must rely on Stone Lion's ability to find trading and investment opportunities consistent with such Clients' investment objective. Investors do not participate in making investment decisions for the Clients. Accordingly, investors will have no advance opportunity to evaluate the merits and risks of any future investment by the Clients, nor will they have any ability to determine when or whether the Clients should dispose of any investment. Therefore, potential investors should not purchase interests unless they are willing to permit Stone Lion to make all investment decisions for the Clients. In this regard, investors must rely on the investment management services provided by Stone Lion, the continued provision of which is subject to many factors, including without limitation, the death or disability of either of the principals of Stone Lion which could materially and adversely affect the performance of the Clients' investments.

Derivatives. We may use various derivative instruments (e.g., credit default swaps, total return swaps and equity options) as a direct investment or for hedging purposes for certain Clients. Such instruments may be volatile, speculative and subject to wide fluctuations in market value resulting in potential losses to our

Clients. The parties with which we enter into such derivatives are banks, broker-dealers and other financial institutions.

Use of derivative instruments presents various risks, including the following:

Tracking – When used for hedging purposes, there may be an imperfect or variable degree of correlation between the derivative instrument and the underlying investment. There is no assurance that such hedging transactions will be effective to manage risk.

Liquidity – Derivative instruments may not be liquid in all circumstances. We may not be able to close out a position at its fair value.

Leverage – Trading in derivative instruments can result in leverage, which may magnify the gains and losses experienced by our Clients and could cause the value of our Clients' accounts to be subject to wider fluctuations, than would be the case, if derivative instruments were not used.

Over-the-Counter-Trading – Certain derivatives are not traded on an exchange. Such instruments are bilateral contacts with price and other terms negotiated between the buyer and seller. These contracts are not subject to the same type of government regulation as exchange traded instruments. Many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. The risk of nonperformance by the obligor on such an instrument may be greater and the liquidity of such investment may be less than in the case of an exchange-traded instrument.

Equity Securities. Our Clients may hold positions in common stocks, preferred stocks, warrants and convertible securities of U.S. issuers and non-U.S. issuers. Our Clients also may invest in depositary receipts relating to non-U.S. securities. Equity securities fluctuate in value in response to many factors, including the financial condition of individual companies, the market in which individual companies compete and general economic environments.

Investments in Debt Instruments. We invest in debt instruments (both bonds and loans) on behalf of our Clients which may be secured, unsecured or subordinated. These instruments may be rated below investment grade by a recognized credit rating agency or unrated. We may also invest in debt securities which are not protected by financial covenants. In addition, we invest in debt markets for distressed and high-yield instruments, which may be subject to the significant risk of an issuer's inability to meet principal and interest payments. Certain investments may already be in default when we purchase them for our Clients. The price of the debt instruments may move due to such factors as the market's perception of the creditworthiness of an issuer, liquidity available in the market and the current interest rate environment.

General Credit Risks. Certain of the investments we make have large uncertainties or major risk exposures to adverse conditions, and may be

considered to be predominantly speculative. Investments may also be deemed to have substantial vulnerability to default in principal and/or interest payments. Generally, such investments may offer a higher return potential than higher rated debt, but also involve greater volatility of price and greater risk of loss. The market values for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in prevailing credit spreads, general economic conditions, financial market conditions (which may negatively impact liquidity), domestic or international economic or political events, developments or trends in any particular industry and interest rates.

In assessing the risk of an instrument, the underlying collateral, the creditworthiness of the borrower and the priority of the debt are each of great importance. There is no assurance that we will correctly value the collateral or predict the outcome for a successful reorganization. In addition, investments in financially troubled companies may involve substantial financial and business risks, which are often heightened by an inability to obtain reliable information about the issuers and their true financial condition.

In the event of default, we cannot guarantee the adequacy of the protection of our Clients' interests, including the validity or enforceability of their instrument. Furthermore, any costs or delays involved in the liquidation of any collateral underlying an investment could further reduce available proceeds and/or increase the loss. The reorganization or liquidation proceeds upon emergence from default may not satisfy the entire outstanding balance of principal and interest on the investment, resulting in a loss to our Clients.

Liquidity and Market Characteristics. We may invest in securities, loans or other assets for which a limited (or no) liquid market exists or that are subject to legal or other restrictions on transfer. In addition, certain debt instruments are not traded on an organized exchange, which decreases the number of available market participants. We may not be able to sell assets when we desire to do so or to realize their fair value in the event of a sale. The sale of illiquid assets and restricted securities often requires more time and may result in higher dealer discounts and other transaction expenses. In addition, illiquid instruments may have significant disparities between "bid" and "ask" prices. Our ability to respond to market movements for these types of instruments may be impaired and subject to adverse price movements.

Fraud. Of concern in purchasing debt instruments is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the debt instruments or may adversely affect the ability of our Clients to perfect or effectuate a lien on collateral securing the debt. We rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to our Clients may be

reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Bank Loans Risks. Our investment program may include investments in bank loans either by assignment or participation. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; (iv) counterparty credit risk due to delayed settlement of the bank loan transactions and (v) limitations on our ability to directly enforce our rights with respect to participations. In analyzing each bank loan or participation therein, we compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Clients. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are generally not purchased or sold as easily as publicly-traded securities. In addition, settlement of such transactions may be delayed due to administrative uncertainties.

Investments in loans through a direct assignment may involve certain risks to our Clients, including without limitation, becoming an owner of any collateral, which may involve bearing the costs and liabilities associated with such ownership and disposing of the collateral. When purchasing a loan by participation, our Clients also assume the credit risk associated with an interposed bank or other financial intermediary, and therefore may only be able to enforce its rights through such lender.

Leverage. In addition to direct borrowings from banks or prime brokers (including buying securities on margin), we may employ strategies that include the use of leverage for certain Clients, such as short sales, swaps, repurchase agreements, options and other derivative securities, or other forms of leverage or credit. Short sellers "borrow" securities to effect short sales. At times such securities may be difficult to borrow and therefore we may have to purchase securities to meet the Clients' obligations exposing the Clients to a risk of loss. Leverage creates an opportunity for greater yield and total return but also may increase exposure to capital risk. Leverage creates a multiplying effect on total return of such Client accounts in both increasing and decreasing returns. If the value decreases, the counterparty may require the Clients to post additional collateral and therefore may further decrease the returns.

Litigation. As a result of Clients' investments, it is possible that a Client may become involved in litigation for creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against the Clients, and ultimately judgments may be rendered against the Clients for which they do not carry insurance.

Market Liquidity and Leverage. Clients may be adversely affected by a decrease in market liquidity for its investments which may impair the Clients' ability to adjust its positions. The size of the Clients' positions may magnify the effect of a decrease in

market liquidity for such instruments. Changes in overall market leverage, and deleveraging as a consequence of a decision by the Clients' prime brokers, may reduce the level of leverage available. The liquidation by other market participants to comply with lower available leverage of the same or similar positions, may also adversely affect the Clients' investments.

Redemption Risk. The right to redeem interests/shares in our Clients is restricted. If applicable with respect to a Client, investors that may elect to redeem their investment will not know the price at which such investment will be redeemed until after the election to redeem has been made. It is possible that during the time period between the redemption notice date and the redemption date, general economic and market conditions, or specific events affecting one or more underlying investments could cause a decline in the value of the investment. In addition, to satisfy redemption requests, we may be required to sell assets for a lower price than we otherwise would sell such assets.

Regulatory Risks of Hedge Funds. Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the hedge fund and asset management industry. In addition, the laws and regulations affecting the Firm's business continue to evolve unpredictably. Laws and regulations applicable to our Clients, especially those involving taxation, investments and trading, can change quickly and unpredictably in a manner adverse to our Clients' interests.

Trade and Other General Unsecured Claims. We may acquire interests in claims of general unsecured claim holders of a debtor ("**trade claims**"). Trade claims are typically unsecured and may be subordinated to other unsecured obligations of the debtor. The repayment of trade claims is subject to significant uncertainties, including potential set-off by the debtor, disallowance of the claim, as well as, the other uncertainties described in these risk factors. Our Clients' investments in trade claims may also have additional risks including, but not limited to, fraud on the part of the assignor of the claim as well as logistical and mechanical issues, which may affect our ability to collect on the claim in whole or in part.

We encourage investors in our Clients and prospective investors to consider all of the risk factors described above and as more fully specified in the relevant governing documents related to such Client.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding legal or disciplinary events that would be material to an evaluation of Stone Lion or the integrity of its management.

Stone Lion has no information applicable to this item.

Item 10: Other Financial Industry Activities and Affiliations

Neither the Firm nor any of our officers or principals is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

We serve as investment manager to the following Clients, which are our related persons: Stone Lion Fund L.P., Stone Lion Fund Ltd., Stone Lion Portfolio L.P., SL Liquidation Fund L.P., LLSM L.P., HHLF L.P., SL Puerto Rico Fund L.P., SL Puerto Rico Fund II L.P. and LLSM II L.P.

For the Credit Hedge Funds, our advisory services are provided pursuant to an investment management agreement between the Credit Hedge Funds and Stone Lion. Stone Lion GP L.P. serves as general partner of each of Stone Lion Fund L.P. and Stone Lion Portfolio L.P. SL General Partner Ltd. serves as general partner of Stone Lion GP L.P. Each of SL General Partner Ltd. and Stone Lion Fund Ltd. have independent directors who were hired and retained by SL General Partner Ltd.

For the Liquidation Funds, our advisory services are provided pursuant to investment management agreements between each of the Liquidation Funds and Stone Lion. LLSM L.P. and LLSM II L.P. have independent directors who were hired and retained by LLS General Partner Ltd, the general partner of LLS GP L.P., which is the general partner of LLSM L.P. and LLSM II L.P. SL Liquidation LLC serves as the general partner of SL Liquidation Fund L.P. and HHLF LLC serves as the general partner of HHLF L.P.

For the PR Funds, our advisory services are provided pursuant to investment management agreements between each of the PR Funds and Stone Lion. SL Puerto Rico Fund L.P. and SL Puerto Rico Fund II L.P. have independent directors who were hired and retained by SLPR General Partner Ltd., the general partner of SLPR GP L.P, which is the general partner of SL Puerto Rico Fund L.P. and SL Puerto Rico Fund II L.P.

Although these arrangements with respect to the Credit Hedge Funds, the Liquidation Funds and the PR Funds may give us heightened control and discretion over our Funds, we manage any conflicts of interest by adhering to the respective investment strategy discussed in the offering memoranda and/or partnership agreement of each Fund and the related investment management agreement.

Generally, compensation, liquidity or other terms of our Funds are not negotiated at arm's length. However, we deliver the Funds' offering documents to prospective investors prior to an investment, which discloses the terms of our fees and performance-based compensation generally, as well as, other terms of an investment.

The ICAV Fund pursues the same strategy as the Credit Hedge Funds, with limited exceptions, the Liquidation Classes of the Private Fund pursues the same strategy as the Liquidation Funds and the PR Class of the Private Fund pursues the same strategy of the PR Funds. Our trade allocation policy provides that transactions and investment opportunities across multiple Client accounts shall be handled on a fair

and equitable basis over time. Any investment opportunity that is suitable for more than one Client may be allocated among the Client accounts as we reasonably determine in good faith to be equitable based on various factors, including such Client's investment strategy, available capital, and investment restrictions (including length of investment horizon) and guidelines in accordance with the Firm's policy.

The potential to earn performance-based compensation could give us an incentive to invest Client assets in an aggressive or speculative manner. We seek to minimize this conflict by taking a disciplined approach to portfolio risk management. In addition, this incentive is mitigated by the substantial personal investment of the Managing Principals in the Funds and the fact that losses will not only reduce the Funds' performance but their returns as well.

For the Credit Hedge Funds (which are in process of winding down) and the ICAV Fund, performance-based compensation was based in part on unrealized gains and losses, which may create an incentive to inflate the value of such Client assets through valuation determinations. To mitigate this risk, the Firm has adopted a valuation policy and implemented procedures that are designed to provide for fair valuations. The Firm engages the services of a third-party administrator so that our Clients' valuations are determined by the third-party administrator, in accordance with the valuation policy and procedures. The Firm also has a valuation committee (the "Valuation Committee") to oversee adherence to the valuation policy. The members of the Valuation Committee do not perform trading and investment functions for the Firm's Clients.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Stone Lion maintains a Code of Ethics (our “**Code**”), which includes the Employee Trading Policy and Procedures, adopted pursuant to rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), that sets forth standards of conduct expected of employees of Stone Lion and others working on behalf of Stone Lion. The Code contains detailed rules concerning general standards of business conduct, conflicts of interest, gifts, political contributions, outside business activity, treatment of confidential information, market rumors, family conflicts, disclosure of legal and regulatory matters and personal trading activities.

All employees are required to follow the Employee Trading Policy and Procedures with respect to any personal investment activities and therefore (i) must obtain written pre-approval from the CCO for all trades with certain limited exceptions, and (ii) must have account statements delivered directly to the CCO. Our principals and employees are permitted to invest on their own behalf solely in accordance with the Employee Trading Policy and Procedures as set forth in our Code.

Employees are required to acknowledge and agree to abide by the terms of the Code annually. In addition, Stone Lion requires employees to review and certify to the accuracy of their personal securities account information maintained by Stone Lion on an annual basis. We will provide our Code to any investor in our Clients upon request.

The Firm, its employees, officers, partners (and any persons performing similar functions), and persons directly or indirectly controlling the Firm, controlled by the Firm or under common control with the Firm, are not permitted to engage in a principal transaction with the Firm’s Clients.

Item 12: Brokerage Practices

In selecting brokers for transactions, Stone Lion takes into consideration certain relevant factors including, but not limited to, the ability of the broker to provide prompt and reliable executions, the financial stability and integrity of the broker, the quality of research provided, if any, and competitiveness of the transaction costs. Since commission rates in the U.S. as well as in certain other jurisdictions are negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates, may at times result in higher transaction costs.

We seek to obtain best execution on trades for our Clients based on the circumstances of each transaction. Stone Lion satisfies its best execution obligation by taking into account the different circumstances associated with executing orders related to particular types of financial instruments. In certain circumstances, Stone Lion will not be able to select a particular counterparty due to a limited universe of dealers that are in a position to offer us our desired investments. In some cases the offering dealer is the only execution option for such transaction and therefore executing through that dealer is the best execution for such trade.

We do not currently utilize soft dollar benefits. Soft dollar benefits include research and related services furnished by brokers including written information and analyses (including specific market, financial and economic studies and forecasts), statistics and pricing services, discussions with research personnel and similar services used in the investment and trading process in return for the investment manager paying a broker a commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of such services or facilities provided by the broker. To the extent we should decide to enter into soft dollar transactions, we will effect such transactions in compliance with the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

Certain broker-dealers may introduce us to potential investors for our Funds through participation in their capital introduction programs. The capital introduction programs we participate in do not require any minimum value of transactions or commissions. We may allocate transactions to brokers who introduce investors to the Funds only when we believe that the transaction quality and commissions are comparable to those available from other deemed qualified brokers. We may be deemed to have a potential conflict of interests in receiving such introductions, in that we may have an incentive to select such brokers. To mitigate such a conflict, we follow our policies and procedures in applying the criteria described above when selecting brokers.

To facilitate trading in our Clients' accounts, we generally execute trades through executing brokers via an aggregate trade by the Firm and then allocate the trade among the Clients in accordance with Firm policy. Our policy is to equitably allocate buy and sell executions among Clients when appropriate and feasible. Trade allocations are generally made on pro rata basis according to the amount of assets or projected assets in each Client account, taking into consideration factors such as investment strategy, investment restrictions (including length of investment horizon), capacity and available cash in accordance with Firm policies.

We may rebalance securities among our Clients when we determine that allocations of investments previously made to, and presently held by, our Client accounts are no longer representative of the relative sizes of such accounts. These rebalances are executed through market transactions or through cross trades, when permitted, by causing one Client to purchase securities directly from, or sell securities directly to, another Client at a price equal to the closing price on the day prior to the day such cross trade is affected. There may be cross trades between Clients for purposes other than rebalancing which will also be executed by one Client purchasing securities directly from, or selling securities directly to, another Client at a price equal to the closing price on the day prior to the day such cross trade is affected. We will arrange any such cross trade for no consideration other than cash payment against prompt delivery of the securities (i.e., we will not receive any compensation in connection with the cross trade (other than our management fee and/or incentive fee as applicable)). Cross trades involving securities for which an independent market price is not readily available are generally not permitted without the approval of the CCO, who will assess the need for client consent or other procedures to ensure that all Clients are treated fairly.

Our trade error policy is to resolve trading errors as soon after discovery as reasonably practical in a manner that we determine is in the best interest of the Clients and the investors. Trade errors are required to be documented and reported to the CCO and the Chief Operating Officer/Chief Financial Officer of the Firm. Over the relevant redemption period of our Clients, profits and losses from errors, if any, are netted. If there is a net loss, a single payment is made by Stone Lion to the Client effective as of the end of the redemption period. If there is a net profit, the Client is entitled to retain the profit.

Item 13: Review of Accounts

The principals actively monitor the Client accounts to determine that investments continue to meet our Clients' investment objectives and guidelines. Such monitoring may include, but is not limited to, (i) review of the investment theses giving rise to positions, (ii) active monitoring of the market, liquidity and prices for investments, (iii) active re-evaluation of position sizes and exit points for each position, (iv) review and assessment of news related to our investments, financial reports and other filings, (v) maintenance of open dialogues with professionals, industry experts and market participants to capture and process information relevant to the investments in the portfolio and (vi) review of industries, sectors and macroeconomic developments affecting the Clients' holdings. Diversification (position sizing, sector, asset class, etc.) is also monitored to manage concentrations, where appropriate.

We provide investors in the Funds monthly account statements and monthly fund updates, as well as monthly and weekly net asset value estimates. We also provide them with annual audited financial statements and tax information, where applicable.

The nature and frequency of regular reports to each Managed Account are as agreed between us and the Managed Account. In addition, each Managed Account has ongoing access to its account.

Item 14: Client Referrals and Other Compensation

Stone Lion is not, nor are any principals or employees of Stone Lion, permitted to receive any economic benefit from non-clients for providing advisory services. Stone Lion does not, nor do any principals or employees of Stone Lion, compensate any person who is not a supervised person for investor referrals.

Item 15: Custody

Funds:

While it is Stone Lion's practice not to accept or maintain physical possession of any of our Funds' assets (as the Funds' assets are in the custody of one or more prime brokers and or banks), we are deemed to have custody of their assets under Rule 206(4)-2 of the Advisers Act because we have the authority to access Funds and deduct fees and expenses from Funds' accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all assets of our Funds, except those assets (such as bank debt) that are not capable of being held by a custodian. We also confirm that the qualified custodian maintains these assets in accounts bearing the Fund's name that contain only assets of the Fund, including our name as agent for the Funds.

While Rule 206(4)-2 generally requires an investment adviser to provide for a qualified custodian to send account statements to all of its Clients whose assets the custodian holds at least quarterly. We are not subject to such requirement because our Funds are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. We generally distribute audited financial statements to all investors in the Funds within 120 days of the end of the fiscal year of the Funds.

Managed Account:

We do not custody the assets of each of the Managed Account. Each Managed Account receives account statements directly from its custodian and should review them carefully. Each Managed Account should compare the account statements it receives from its custodian with any reports that we provide it.

Item 16: Investment Discretion

Stone Lion accepts discretionary trading authority over the assets of our Clients pursuant to investment management agreements. We have authority to determine, without obtaining specific Client consent, which investments to buy or sell and the amount of investments to buy or sell, the broker through which we effect trades, and the commission rates at which we effect trades. Stone Lion observes the investment policies, limitations and restrictions of each of its Clients set forth in each of the Funds' offering memorandum and each Managed Account's investment management agreement. We do not tailor our investment management strategy for any investor in a Client.

Stone Lion, through its administrator, provides all prospective investors with governing documents and an offering memorandum, if applicable, that sets forth, in detail, our investment strategy, discussion of risk factors and the terms of an investment. By completing the Funds' subscription documents to acquire an interest in one of our Funds, investors give us complete authority to manage their investment in accordance with the governing documents and the offering memorandum.

Item 17: Voting Client Securities

Stone Lion has authority to exercise voting discretion over investments held by our Clients. Stone Lion has adopted and adheres to its proxy voting policies and procedures. Prior to voting, Stone Lion shall determine how to vote in the best interests of our Clients and investors in the Clients. In addition, the CCO shall review all proxies prior to the vote. Stone Lion will maintain copies of all proxy votes. Clients cannot direct our proxy votes.

Upon request, we will provide any Client or any investor in a Client with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast on such Client's behalf.

Item 18: Financial Information

We do not require nor do we solicit prepayment of more than \$1,200 in fees per Client six months or more in advance.

We do not believe any financial condition exists that is reasonably likely to impair our ability to meet our contractual commitments. The Firm has never been the subject of a bankruptcy petition.